

2006

## TAXhints

PRACTITIONER'S GUIDE TO THE FILING SEASON

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# Welcome to *Tax Hints* 2006

**T**his edition of *Tax Hints* brings you current and concise information on changes in tax law, regulation and administration that have occurred or gone into effect in the 2005 tax year to help you better serve your clients during the 2006 filing season. In this guide you'll find information about IRS structure, points of contact, useful telephone numbers and articles highlighting critical tax changes for the 2006 filing season.

This edition continues and expands on last year's approach with extensive use of hyperlinks that instantly take you to essential information sources on the many pages of the [IRS.GOV](http://IRS.GOV) website. Although timed to appear as filing season gets underway, we are sure that tax professionals will find *Tax Hints* useful year-round.

*Tax Hints* was produced by National Public Liaison with the support and cooperation of IRS operating and functional divisions. NPL is grateful to all those throughout the Service who contributed. *Tax Hints* will only be available electronically on [IRS.GOV](http://IRS.GOV). All information was accurate at the time of posting. ***You are encouraged to print out and share this information; NPL cannot provide printed copies.***

Featured throughout this publication are photos taken during various Nationwide Tax Forum events.

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## Lois G. Lerner Selected As Director of IRS Tax Exempt Organizations Division

Lois G. Lerner has been selected to be Director, Exempt Organizations Division, IRS. In this position, she will be responsible for administering and enforcing the tax laws that apply to more than 1.8 million organizations recognized by the IRS as exempt from tax.

"Protecting the integrity of tax-exempt organizations is an important part of our enforcement program," said IRS Commissioner Mark W. Everson. "Lois's background, including her work for the Federal Election Commission, qualifies her for this new assignment."

Before this appointment, Lerner had been the director of the Exempt Organizations Rulings and Agreements Division, where she was responsible for the EO determinations letter program, public guidance, and technical assistance for IRS agents conducting examinations of tax-exempt

organizations. Lerner came to the IRS in 2001 from the Federal Election Commission, where she was Associate General Counsel for Enforcement and Acting General Counsel. She replaces Martha Sullivan, who is retiring.

"Lois is an integral part of the EO team and has successfully increased the IRS presence in the exempt community," said Steven T. Miller, Commissioner of the IRS Tax Exempt and Government Entities Division, of which EO is a part. "Her integrity, skills and judgment are exceptional and will allow us to continue to provide improved service and enhanced enforcement of the tax laws."

The tax-exempt sector of the economy had total assets of approximately \$3.7 trillion in 2002, the latest year for which data are available, with revenues of \$1.2 trillion. ■

## Disaster Relief Information

Hurricanes Katrina, Rita and Wilma struck the Gulf States with devastating force in 2005, impacting millions of individual and business taxpayers, with most experiencing personal loss and financial hardship.

The IRS, by law, can grant relief to taxpayers who are victims of a Presidentially-declared disaster. Taxpayers affected by Hurricanes Katrina, Rita and Wilma are eligible for relief, including postponing tax deadlines so they have extra time to file returns and pay taxes without incurring penalty, interest, additional amount, or addition to the tax.

Deadlines for affected taxpayers to file returns, pay taxes and perform other time-sensitive acts have been extended to February 28, 2006.

Congress recently passed the Katrina Emergency Tax Relief Act of 2005 that creates many tax code changes to benefit Hurricane Katrina victims. The Act applies to victims of Hurricane Katrina and taxpayers helping victims of this disaster.

The latest information on tax relief and guidance regarding the Katrina Emergency Tax Relief Act of 2005 is available on the IRS Web site at <http://www.irs.gov/newsroom/article/0,,id=147085,00.html>. ■

## Standards of Practice for Tax Professionals

The Office of Professional Responsibility (OPR) has put together a one-stop resource for tax professionals. You can review vital information all tax pros need to know at <http://www.irs.gov/taxpros/agents/article/0,,id=123812,00.html>. ■

## IRS Office of Taxpayer Burden Reduction

Key points of information about this critical Service initiative to help all taxpayers deal more easily and effectively with the IRS are at this website: <http://www.irs.gov/businesses/small/article/0,,id=146222,00.html>. ■



## Delay in Electronic Acceptance of Disaster-Related Forms

Those of you who subscribe to QuickAlerts may have seen this item but for those who may have missed it:

The following disaster related and general tax forms may not be accepted electronically for Individual e-filed returns until approximately February 1, 2006, and in some cases, March 1, 2006. Additional updates will be provided when the necessary form changes are completed.

### Disaster Related Forms:

**Form 982**, Reduction of Tax Attributes Due to Discharge of Indebtedness;

**Form 8606**, Nondeductible IRAs;

**Form 8863**, Education Credits;

**Form 8915**, Qualified Hurricane Retirement Plan Distributions and Repayments;

**Form 3468**, Investment Credit;

**Form 3800**, General Business Credit;

**Form 5884 A**, Hurricane Katrina Employee Retention Credit;

### General Tax Forms:

**Form 8379**, Injured Spouse Allocation;

**Form 8611**, Recapture of Low Income Housing Credit;

**Form 8864**, Biodiesel and Renewable Diesel Fuels Credit;

**Form 8896**, Low Sulfur Diesel Fuel Production Credit;

**Form 8271**, Investor Reporting of Tax Shelter Registration Number;

**Form 8886**, Reportable Transaction Disclosure Statement

The QuickAlerts program is an excellent way to get the latest IRS information almost instantly. Further information about QuickAlerts can be found at: <http://www.irs.gov/taxpros/providers/article0,,id=97623,00.html> ■

## 2005 TAX LAW CHANGES

Some of these changes may be mentioned in other articles and items in this publication but here is a summary of enactments and rule changes affecting this filing season.

A new uniform definition of a qualifying child, special rules for car donations, higher standard mileage rates and expanded retirement savings incentives are among the changes individual taxpayers will find when they sit down to prepare their 2005 federal income tax return.

More information about the changes, summarized below, can be found on [irs.gov](http://www.irs.gov) and in various IRS documents, including the instructions for Form 1040 (<http://www.irs.gov/instructions/i1040giiindex.html>). In addition, Fact Sheet FS-2006-x outlines the special tax relief available to taxpayers affected by last year's hurricanes.

### Automatic Six-Month Tax-Filing Extension Available

Taxpayers who are unable to meet the regular tax-filing deadline can request an automatic six-month extension, without a reason or even a signature. In the past, automatic extensions for individual taxpayers were only available for four months. A tax-filing extension does not extend the tax-payment deadline. See Form 4868 and its instructions for more information.

### New Rules for Donating Vehicles, Boats, and Aircraft

Beginning in 2005, the charitable contribution deduction for a vehicle donated to charity, is generally limited to the gross proceeds from its sale. This rule applies if the claimed value of the donated vehicle is more than \$500.

Form 1098-C (or other form of written acknowledgment of the donation) from the

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## IMPACTED BY 2005'S DISASTERS?

Here's a web site designed to assist members of the practitioner community who have been impacted by recent natural disasters. It answers questions from the practitioner community and provides links to IRS partners who are offering help to fellow practitioners in their recovery efforts and to re-establish their businesses. Click on this link for the IRS Disaster Relief Resource Center for Tax Professionals: <http://www.irs.gov/taxpros/article0,,id=150578,00.html> ■

## Tax Talk Today

Monthly web casts are the second Tuesday of each month from 2 p.m. to 3 p.m. ET. As we posted this publication, the full 2006 Tax Talk Today was not available. You can get the latest information on topics scheduled at: [http://www.taxtalktoday.tv/meSWFiles/lm\\_docs/ttt\\_2005\\_12\\_13.pdf](http://www.taxtalktoday.tv/meSWFiles/lm_docs/ttt_2005_12_13.pdf)

**Attention Enrolled Agents:** Tax Talk Today is approved by the IRS for CPE credit. Did you miss a previous program? To see topics covered in the Tax Talk Today archive go to: <http://www.taxtalktoday.tv/index.cfm?page=8.532>.

**Earn CPE Credit:** Earn 1 CPE for each contact hour by either watching each Tax Talk Today via Live web-cast (based on a 50 minute credit hour), or by watching archived web-cast/VHS (Non-interactive Self Study based on a 100-minute credit hour). ■





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## 2005 TAX LAW CHANGES

organization must be attached to the taxpayer's return. Among other things, the acknowledgment generally must include the gross proceeds of the sale, the vehicle identification number (VIN), and a statement certifying the vehicle was sold in an arm's-length transaction between unrelated parties. This acknowledgment must be provided within 30 days after the date of the sale of the vehicle (or by October 1, 2005, if that date is later).

The taxpayer generally can deduct the vehicle's fair market value (FMV), if:

- The organization makes significant intervening use of or materially improves the vehicle,
- The organization gave or sold the vehicle to a needy individual at a price significantly below FMV in direct furtherance of its charitable purpose of relieving the poor and distressed or underprivileged who are in need of a means of transportation, or
- The claimed deduction is \$500 or less.

For donations made after June 3, 2005, the FMV cannot exceed the private party sales price listed in a used vehicle pricing guide.

If the organization had a significant intervening use of, or materially improved the vehicle, the acknowledgment must include a certification of the intended use of or material improvement to the vehicle and the intended duration of that use and a certification that the vehicle will not be transferred in exchange for money, other property, or services before completion of that use or improvement. The acknowledgment must be provided within 30 days after the date of the contribution (or by October 1, 2005, if that date is later).

If the organization gave or sold the vehicle to a needy individual at a price significantly below FMV (as explained above), the acknowledgment must include a certification that the donee organization will sell or transfer the qualified vehicle to a needy individual at a price significantly below fair market value and that the sale (or transfer) will be in direct furtherance of the donee organization's charitable purpose of relieving the poor and distressed or the underprivileged who are in need of a means of transportation. The acknowledgment must be provided within 30 days after the date of the contribution (or by October 1, 2005, if that date is later).

These rules do not apply to donations of inventory.

### Income-Based Limits Lifted for Cash Donations Made in Late 2005

Most cash contributions made to charity after Aug. 27, 2005 and before Jan. 1, 2006 are exempt from the income-based limits that normally apply. Thus, individual taxpayers who make large contributions during this period may be able to deduct them up to 100% of their adjusted gross income (AGI) instead of 50% of AGI—the limit that usually applies. Also, the phase-out of the charitable contribution deduction that affects higher-income tax

payers is suspended for cash donations made during this period.

### Contribution Limits Raised for IRAs and other Retirement Plans

For 2005, the contribution limit for Roth and traditional IRAs rose to \$4,000 or \$4,500 for those age 50 or over. In 2004, the comparable limits were \$3,000 and \$3,500, respectively.

The \$10,000 phase-out range for IRA deductions for those covered by a retirement plan begins at income of \$50,000 (\$70,000 if married filing jointly or a qualifying widow(er)). It still begins at \$0 for a married person filing a separate return. Use the worksheet in the tax package to figure the IRA deduction (<http://www.irs.gov/instructions/i1040gil/ar02.html#d0e6119>).

The elective deferral (contribution) limit for employees who participate in 401(k), 403(b) and most 457 plans rose to \$14,000 (\$17,000 for 403(b) plan participants for whom the 15-year rule applies). For SIMPLE plans, the limit rose to \$10,000. The catch-up contribution limit for persons age 50 or older rose to \$4,000 for 401(k), 403(b) and 457 plans and to \$2,000 for SIMPLE plans.

### Standard Mileage Rates Increased

In 2005, for the first time ever, the IRS adjusted the standard mileage rate during the year to reflect increases in the price of gasoline. From Jan. 1 to Aug. 31, the standard mileage rate for business use of a car, van, pick-up or panel truck was 40.5 cents a mile, compared to 37.5 cents a mile in 2004. Effective September 1, the rate increased to 48.5 cents a mile.

From Jan. 1 to Aug. 31, the standard mileage rate for the cost of operating a vehicle for medical reasons or as part of a deductible move was 15 cents a mile, up from 14 cents in 2004. On September 1, the rate rose to 22 cents. The rate for providing services to charitable organizations is set by law and remains at 14 cents a mile.

### New Deduction for Domestic Production

A new deduction of up to 3% of qualified production activities income derived from domestic production can be claimed on Line 35, Form 1040. Use Form 8903 to figure the deduction.

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### Information Returns Processing

The Information Returns Processing website will present the information you need to know if your client has information reporting requirements. Here you will find help-line phone numbers and hyperlinked sites to help meet reporting information returns and how to file electronically or magnetically.

<http://www.irs.gov/taxpros/content/0,,id=98185,00.html> ■

### Individual Taxpayer Identification Number (ITIN) Reminders

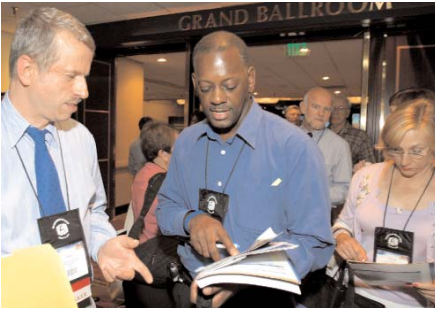
Everything you need to know to help your clients who file returns with ITINs or are seeking to apply for an ITIN is at one useful website:

<http://www.irs.gov/individuals/article0,,id=120580,00.html> ■

### SCHEDULE K-1, TWO-DIMENSIONAL BARCODES

If your firm or your client's firm is creating barcoded Schedules K-1, certification for both the printed K-1, as well as the barcode itself is mandatory. The IRS has created procedures for the testing process. Review these procedures at <http://www.irs.gov/efile/article0,,id=129860,00.html>

Following these procedures as closely as possible will help speed the approval and testing process. ■



## IRS Nationwide Tax Forums

Planning is already underway for the 2006 Nationwide Tax Forum season. Forum attendees learn the latest IRS viewpoints on tax administration topics, mingle and network with peers and colleagues, learn about the latest tax preparation software from vendors and gain valuable continuing professional education (CPE) credits for attending seminars at the forums. For the latest information, check the websites at [www.taxforuminfo.com](http://www.taxforuminfo.com) and [www.irs.gov](http://www.irs.gov). Potential 2006 forum exhibitors should contact Patricia Young at (202) 622-6729. Here is the 2006 forum schedule.

|              |           |
|--------------|-----------|
| June 27-29   | Anaheim   |
| July 11-13   | Chicago   |
| July 25-27   | Atlanta   |
| August 1-3   | Florida   |
| August 22-24 | Las Vegas |
| August 29-31 | New York  |

## IRS AND PACKAGES SENT VIA PRIVATE DELIVERY SERVICES

IRS accepts deliveries from private delivery services (PDS) such as United Parcel Service (UPS), Federal Express (FedEx) and others who are registered with the Internal Revenue Service. IRS provides these companies with the Service Center street addresses and they have agreed to deliver packages with only the city and state as the address as printed in the tax packages.

Due to security reasons, IRS does not post the Service Center street addresses on the Web or publish them in any of our forms or publications. ■

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## 2005 TAX LAW CHANGES

### Uniform Definition of a Qualifying Child

Beginning in 2005, a new definition of a qualifying child ordinarily applies for the dependency exemption, head of household filing status, earned income tax credit (EITC), child tax credit and credit for child and dependent care expenses. Relationship, residency, age and support tests are used to determine if someone is a qualifying child. In general, all four tests must be met. However, the support test does not apply to the EITC.

Under the relationship test, a child must be the taxpayer's child (including an adopted child, stepchild or foster child), brother, sister, stepbrother, stepsister or a descendent of one of these relatives. An adopted child includes one lawfully placed with you for legal adoption, even if the adoption is not final. A foster child is one placed with the taxpayer by an authorized placement agency or by court order.

Under the residency test, a child must live with the taxpayer for more than half of the year. Temporary absences for special circumstances (such as for school, vacation, medical care, military service, or detention in a juvenile facility) count as time lived at home.

Under the age test, a child must be under a certain age, which varies with the tax benefit. For the dependency exemption, head of household and EITC, the child must be under 19, under 24 if a student (enrolled full time during any part of five calendar months), or any age if permanently and totally disabled. For the child tax credit, a child must be under 17. For the credit for child and dependent care expenses, a child must be under 13 or any age if permanently and totally disabled.

Under the support test, a child cannot have provided over half of his or her own support.

A child who meets the tests to be a qualifying child of more than one person can be claimed by only one person (unless the exception for divorced or separated parents applies). If more than one person claims the same qualifying child, the IRS will use the tie-breaker rule to determine who gets the tax benefit. If only one of the persons is a child's parent, the parent gets the benefit. If both are parents, it goes to the parent with whom a child lived longer. If a child lived with each parent for the same amount of time, the parent with the higher adjusted gross income (AGI) gets the benefit. If no parents are

involved, the person with the highest AGI gets the tax benefit.

### Inflation Adjustments for 2005

Personal exemptions and standard deductions rose, tax brackets were widened and more than three dozen individual and business tax provisions were adjusted to keep pace with inflation. A complete rundown of these changes can be found under, "Inflation-Adjusted Tax Items for Tax Year 2005," on the IRS Web site at <http://www.irs.gov/newsroom/article/0,,id=118033,00.html>. Popular items adjusted include the following:

- The value of each personal and dependency exemption is \$3,200, up \$100 from 2004. Most taxpayers can take personal exemptions for themselves and an additional exemption for each eligible dependent. An individual who qualifies as someone else's dependent cannot claim a personal exemption, and personal and dependency exemptions are phased out for higher-income taxpayers.
- The standard deduction is \$10,000 for married couples filing a joint return and qualifying widow(er)s (a \$300 increase over 2004), \$5,000 for singles and married individuals filing separate returns (up \$150) and \$7,300 for heads of household (up \$150). Higher amounts apply to blind people and senior citizens. The standard deduction is often reduced for a taxpayer who qualifies as someone else's dependent. Nearly two out of three taxpayers take the standard deduction, rather than itemizing deductions, such as mortgage interest, charitable contributions, and state and local taxes.

The maximum earned income tax credit (EITC) is \$4,400 for taxpayers with two or more qualifying children, \$2,662 for those with one child and \$399 for people with no children. Available to low and moderate income workers and working families, the EITC helps taxpayers whose incomes are below certain income thresholds, which in 2005, rose to \$37,263 for those with two or more children, \$33,030 for people with one child and \$13,750 for those with no children. More than one in seven taxpayers claim the EITC, which unlike most tax breaks, is refundable, meaning that people can get it, even if they owe no tax and even if no tax is taken out of their paychecks. ■

## HELP LOW-INCOME CLIENTS GET CRITICAL TAX RELIEF

Each year millions of Americans lose out on critical tax relief by failing to claim the Earned Income Tax Credit (EITC), a federal tax credit for individuals who work but do not earn high incomes. Taxpayers who qualify and claim the credit could pay less federal tax, pay no tax or even receive a refund over the amount of tax withheld. In 2004, an estimated 21 million taxpayers received approximately \$38 billion by claiming the EITC.

Many of your clients may think they qualify for the EITC—but not all of them will. This year, it's easier than ever to be sure. Tax professionals prepared over 70% of the EITC claims last year. That's why the IRS is providing you with the EITC Tax Preparer Electronic Toolkit at [www.eitcfortaxpreparers.com](http://www.eitcfortaxpreparers.com). It puts everything you need at your fingertips to make the EITC easier to understand.

We also offer the EITC Assistant ([www.irs.gov/eitc](http://www.irs.gov/eitc)), an easy-to-use, interactive, online tool to help tax professionals determine if the taxpayer is qualified for the EITC. Use this step-by-step tool with your clients to help them answer these questions: Am I eligible? What is my filing status? Does my child qualify? How much is my credit? You will see the answers right away on your computer screen. The EITC Assistant is available 24 hours a day, 7 days a week, in English and Spanish. Special procedures are available this year for those affected by Hurricane Katrina.

### Protect Yourself by Exercising Due Diligence

Errors made while claiming the EITC can result in delay or even denial of your clients' EITC refund. Help your clients avoid the four most common EITC errors: 1) claiming a child who is not a qualifying child, 2) filing as single or head of household when married, 3) reporting income incorrectly, and 4) using incorrect Social Security Numbers.

As a preparer, protect yourself from potential penalties related to EITC by adhering to the requirements in Internal Revenue Code section 6695(g):

- Complete Form 8867, Paid Preparer's Earned Income Credit Checklist, or your own equivalent (If you use your own equivalent form or information that comes with the software used to prepare tax returns, make sure it contains all information on Form 8867 and that you ask all appropriate questions),
- Complete the EIC Worksheet found in the instructions for Forms 1040, 1040A, 1040EZ or in Publication 596, or your own similar worksheet,
- Exercise due diligence when you secure information to be used in your preparation of EITC returns (i.e., make reasonable inquiries if the information furnished appears to be incorrect, inconsistent, or incomplete), and
- Keep your Checklist, Worksheet and a record of how, when and from whom you obtained the information to complete these forms for 3 years after June 30th following the date the taxpayer signed the return. For example, if the taxpayer signed the return on August 1, 2004, the 3-year retention period begins June 30, 2005 and you are required to keep the documents until June 30, 2008.

### Qualifying Child Residency Test

As part of our ongoing effort to maximize the EITC participation and minimize error, the IRS is conducting a small test that requires a select subset of EITC filers to certify they meet the EITC residency requirement before we release their credit. The test involves only 25,000 taxpayers nationwide, and it is unlikely that any one tax professional will see many taxpayers who have been asked to certify.

For more information about the Qualifying Child Certification Test and ways you can help clients involved in this test, visit [www.irs.gov/eitc](http://www.irs.gov/eitc) or the EITC Tax Preparer Electronic Toolkit at [www.eitcfortaxpreparers.com](http://www.eitcfortaxpreparers.com).

### Encourage Clients to Respond

Please advise your EITC clients that if they receive IRS correspondence requesting additional information to substantiate their EITC claims, they should respond immediately or contact you for assistance to minimize delays receiving their EITC.

Your professional counseling can help clients avoid claim denial, a possible reduction in their refund, or the requirement to submit additional information for future-year claims. Tell them our request for additional information does not mean they are ineligible. We just need to ensure that all eligible taxpayers—but **only** eligible taxpayers—receive the EITC they deserve. ■





## Become an Authorized IRS e-file Provider

### Why IRS e-file?

e-file enables you to file your client's individual, business and information returns electronically. More and more practitioners are choosing IRS e-file because their clients' returns are processed faster with fewer errors through a secured system. This means quicker refunds and less contact with the IRS for you and your clients. Plus, the IRS acknowledges receipt of IRS e-filed returns, which gives taxpayers proof of filing. In 2005, over 50% of all individual tax returns (68.5 Million) were filed electronically and practitioners accounted for over 46 million of this total. While the e-filing of business returns is still much smaller, some of you will be mandated to e-file some of your client's returns. For the past several years, partnerships with 100 or more partners have been mandated to e-file their partnership return. In 2006, corporations that file either a Form 1120 or 1120S and who have assets of \$50 Million or more and who file 250 more returns (including information returns) are mandated to e-file their corporate return; <http://www.irs.gov/businesses/corporations/article0,,id=146959,00.html>. A similar mandate is in place for tax exempt organizations who file Forms 990 and who have assets of \$100 Million or more; for more information go to <http://www.irs.gov/charities/article0,,id=133968,00.html>.

In addition to the electronic filing options, there are electronic payment options that allow your clients to file early and delay out-of-pocket expenses by scheduling an electronic funds withdrawal or a credit card payment for a future date. As taxpayer demand for IRS e-file grows, there are many ways you can meet the expectations of your clients and participate in this important trend as an Authorized IRS e-file Provider.

To participate is easier with the new electronic IRS e-file Application.

### Getting Started

Publication 3112, *IRS e-file Application and Participation*, includes the rules for participation in the IRS e-file program that pertain to all Authorized IRS e-file Providers, regardless of return type being filed, and should be reviewed before applying for the program. To view or download a copy of Publication 3112 go to

<http://www.irs.gov/pub/irs-pdf/p3112.pdf>. The rules in Publication 3112 were previously included in Publication 1345.

Publication 1345 at <http://www.irs.gov/pub/irs-pdf/p1345.pdf> now contains additional rules and guidelines pertaining to e-file Providers of individual tax returns and should be read in conjunction with Publication 3112.

Once you have read Publications 3112 and 1345 and are ready to become an e-file

Provider, you will need to complete your e-file application through e-services. If you are not already signed up for

e-services go to <http://www.irs.gov/taxpros/article0,,id=109646,00.html> to register. Other sources of information concerning the online preparation or updating of your e-file application are as follows:

- Frequently Asked Questions and Answers for IRS e-file Application <http://www.irs.gov/efile/article0,,id=118979,00.html>
- IRS e-file Application & Publication News <http://www.irs.gov/efile/article0,,id=118979,00.html>
- Still have questions or need help contact the e-Help Desk (866) 255-0654 (toll free) for assistance.

### Become an Authorized IRS e-file Provider in 3 Easy Steps

1. Choose the Authorized IRS e-file Provider option or options that are best for your firm.
2. Complete your IRS e-file Application **online**.
3. Pass the IRS e-file Suitability Background Check

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## NEW FORM FOR ESTATE AND GIFT TAX PROGRAM

The Estate and Gift Tax Program has a new form, Form 8892 (Payment of Gift/GST Tax and/or Application for Extension of Time to File Form 709), which should always be used as a payment voucher for gift taxes owed. File this form at the Cincinnati Campus (Internal Revenue Service Center, Cincinnati, OH 45999.) Form 8892 should also be used when requesting an extension to file a Gift Tax return. If the donor is requesting extensions to file BOTH Form 1040 and Form 709 (gift tax), then Form 4868 should continue to be used.

The annual exclusion for Gift Taxes (Form 709) has been increased to \$12,000 per donee, per year for a present interest gift in 2006. (This replaces the former annual exclusion of \$11,000.)

The Estate Tax exemption equivalent will increase to \$2,000,000 for decedents dying in 2006 and the maximum tax rate for 2006 drops to 46%.

A State Death Tax Deduction replaces the State Death Tax Credit for decedents dying after 12/31/04 on the estate tax form (Form 706). Line 13 on the old version of Form 706 has been deleted. A new line 3b allows a deduction for state death taxes paid.

For more information on estate and gift tax, including Forms and Publications, go to [www.irs.gov](http://www.irs.gov) and click on Businesses (on the left side of the page under information) and then scroll down to Estate and Gift Taxes. ■



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## Become an Authorized IRS e-file Provider

### Step 1—Choose the Authorized IRS e-file Provider Options That Are Best for Your Firm

As explained further below, an Authorized IRS e-file Provider can be an Electronic Return Originator, Intermediate Service Provider, Transmitter, Software Developer or Reporting Agent. A firm and/or individual may have more than one function and each function should be selected on the e-file Application. Before you apply, you need to decide which provider options make the best business sense for you. In addition, you should contact a number of vendors and software developers to find the products that meet your business needs.

**Electronic Return Originators (EROs)** – originate the electronic submission of individual or business tax returns to the IRS. An ERO may originate the electronic submission of tax returns that are either prepared by the ERO firm, or collected from a taxpayer for the purpose of being e-filed. If your firm has multiple offices from which returns are electronically originated, you will need to create an application for each office. The initial application will be identified as a "new location" and each subsequent application will be identified as an "add location."

**Intermediate Service Providers (ISPs)** – there are two types of ISPs. One type of ISP receives tax return information from EROs and either forwards the information to a transmitter or sends the information back to the EROs. The other type of ISP is an online return provider who receives tax returns from taxpayers who file electronically from home using their personal computers, either online or by using commercial tax preparation software.

**Transmitter** – a transmitter sends electronic returns or documents directly to IRS. Some software allows EROs to transmit directly from their computers to the IRS but most electronic filing software requires the ERO to transmit returns to the ultimate transmitter to be subsequently transmitted to the IRS. If you intend to transmit directly to the IRS, be sure to select this option on your application and upon acceptance into the IRS e-file program you will be provided with an Electronic Transmission Identification Number (ETIN). If you will be transmitting to the IRS through a third party, do not mark the transmitter option.

**Software Developers** – Software Developers write the programs to IRS specifications that make IRS e-file and Federal/State e-file possible. If you intend to develop your own software you should check out the following site <http://www.irs.gov/efile/article/0,,id=118575,00.html>.

**Reporting Agents** – A Reporting Agent (Agent) is an accounting service, franchiser, bank or other person that complies with Revenue Procedure 96-17, as modified by section 21.02 of the Revenue Procedure and is authorized to e-file Form 940/941 for a taxpayer.

If completing both individual and business income tax returns, you should obtain the following publications depending on the provider options you choose.

#### For EROs and ISPs:

**Publication 1524** – *Procedures for the Form 1065 e-file Programs*

<http://www.irs.gov/pub/irs-pdf/p1524.pdf>

**Publication 1437** – *Procedures for Electronic Filing of Form 1041*

<http://www.irs.gov/pub/irs-pdf/p1437.pdf>

**Publication 4163** – *Procedure for Electronic Filing of Form 1120 and 1120S*

[http://www.irs.gov/pub/irs-schemas/publication\\_4163\\_revision\\_03012005.pdf](http://www.irs.gov/pub/irs-schemas/publication_4163_revision_03012005.pdf)

**Publication 4206** – *Procedure for Electronic Filing of Form 990* [http://www.irs.gov/pub/irs-schemas/pub\\_4206\\_03302005.pdf](http://www.irs.gov/pub/irs-schemas/pub_4206_03302005.pdf).

**Software Developers, Online ISPs and/or Transmitters** – should obtain the pertinent publications listed above and below:

**Publication 1525** – *File Specifications for Form 1065 e-file*

<http://www.irs.gov/pub/irs-pdf/p1525.pdf>

**Publication 1855** – *Technical Specifications Guide for the Electronic Filing of Form 941*

<http://www.irs.gov/pub/irs-pdf/p1855.pdf>

**Publication 3715** – *Technical Specifications Guide for the Electronic Filing of Form 940*

<http://www.irs.gov/pub/irs-pdf/p3715.pdf>

**Publication 1438** – *File Specifications for Form 1041*

<http://www.irs.gov/pub/irs-pdf/p1438.pdf>

**Publication 1438** – *Modernized e-file Guide for Software Developers and Transmitters*

[http://www.irs.gov/pub/irs-schemas/pub\\_4164\\_rel\\_3.1.pdf](http://www.irs.gov/pub/irs-schemas/pub_4164_rel_3.1.pdf).



## PREPARERS CAN USE PTINS TO HELP PREVENT IDENTITY THEFT

Tax professionals can use a Preparer Tax Identification Number (PTIN) instead of their Social Security Number (SSN) on returns they prepare for clients so they do not have to disclose their SSNs on those returns.

Only paid tax return preparers may apply for a PTIN. Using a PTIN meets the requirement under IRC Section 6109(a) (4) for preparers to furnish an identifying number on returns they have prepared. The PTIN cannot be used in place of the Employer Identification Number (EIN) of the tax preparation firm.

Preparers can get PTINs online at, <http://www.irs.gov/taxpros/article/0,,id=109646,00.html> the IRS e-services page or visit *IRS.gov*, click on "Tax Professionals" then on the link for e-services. After registering, preparers should follow the online instructions to have a PTIN assigned or go to <http://www.irs.gov/pub/irs-pdf/fw7p.pdf> to get a Form W-7P, Application for Preparer Tax Identification Number. More information about Identify Theft can be found at *IRS.gov*, keyword "Identity Theft." ■

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## Become an Authorized IRS e-file Provider

### Step 2— Fill Out and Submit an IRS e-file Application via e-Services on the IRS Website

Now, it's easier than ever to apply to participate in IRS e-file. Individuals who want to apply to participate in IRS e-file or submit updates to a prior approved IRS e-file Application are required to register for e-Services online by creating an electronic account and then accessing the IRS e-file Application. If you are registered for e-Services and you are the owner of the business, partner of the partnership, or officer of the corporation you can now complete an e-file application online once you have logged into e-services at <http://www.irs.gov/taxpros/article/0,,id=109646,00.html>.

Upon logging in for the first time you will see the word "Individual" with a highlighted circle. If you have previously created an application or were placed on another firm's application as a Principal, a Responsible Official, and/or Delegated User, you will see that firm or firms listed in addition to the "Individual." If you intend to create an application for a totally new business, highlight individual and click on the "Submit Selected Organization." If you intend to update an existing application or add an office to an existing business, highlight that entity and click on the submit button.

After selecting "Individual," a welcome screen will appear that presents you with an "application" and a "registration services" option in two places. At this point place your arrow over the "Application" and click to bring up three application options, one of which is the "e-file application". Upon selecting this option you will be taken to the e-file application screen which will either have only "New Application" or this and all other applications with which you are associated. By clicking on "New Application" you will now be able to create a new application. Before you begin you may want to go through the "On-Line Tutorial" located on the "red toolbar" at the top of the screen.

While filling out the application you will be required to provide the entity's Taxpayer Identification Number (either SSN or EIN), the firm's Legal Name and Doing Business As Name (if different) along with pertinent address and phone numbers. You will be required to identify if this is a "For Profit" or

"Not for Profit" business; unless this entity is being established to provide only free tax preparation and e-filing, you would check the "For Profit" option. Since you are completing the form, you are presumed to be a principal of the firm and you may also be acting as a contact point and Responsible Official. You may, however, identify additional Principals and other individuals to be contacts and Responsible Officials. (Refer to Publication 3112 for explanations and requirements for these positions.)

You will be guided through the application and required to choose the provider options (described above) you or your firm intends to provide, the form types (1040, 1065, etc.) your business expects to e-file, and what state tax returns, if any you your firm will e-file. Do not indicate the "Online Filing" option unless you will be providing software and transmission service directly to the IRS (either on the Web or in a box product) that taxpayers can use to prepare their own tax returns. If you are merely hosting a Web site that uses someone else's tax prep software and the transmission is in fact done by a third party, do not check the "Online" or "transmitter" options. Also, unless your software allows you to transmit returns directly from your computers and you intend to use this option, do not designate the "transmitter" provider option on your application. If you do intend to transmit directly to the IRS, designate the "transmitter" option and once your application has been approved, you will be provided an ETIN and then required to complete a transmission test before you are allowed to begin transmitting returns to the IRS.

Before you complete your application you will need to fill in your "personal Information" and indicate if you are a CPA, an Enrolled Agent (EA), an Attorney, or an officer of a publicly company and to answer four suitability questions, known as Terms of Agreement (TOA), about you and your firm. After completing all of this information you will be able to sign your application with your e-services PIN and electronically submit your application. If, however, you identified other Principals of the firm or someone else as the Responsible Official, each of these individuals will also need to log into the application through e-services, complete the "personal information"

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## MLI Filing Season Message

The Multilingual Initiative (MLI) is the IRS's commitment to assist Limited English Proficient (LEP) taxpayers by fostering efforts to develop and administer policies and strategies to help LEP taxpayers understand and meet their tax responsibilities.

MLI strategies require IRS to offer products and services in regularly encountered LEP languages designed to specifically meet LEP taxpayer language assistance needs. The suite of products and services include:

- **Over-the-Phone Interpreter** provides tax assistance in over 144 languages in every Taxpayer Assistance Center
  - **Toll-free telephone services** are available to assist Spanish-speaking taxpayers through:
    - Spanish Tax Help Line for Individuals: (800) 829-1040 for live assistance
    - Spanish TeleTax: (800) 829-4477 for automated service 24 hours a day, 7 days a week
  - **IRS.GOV Español Web-page** provides general tax information in Spanish on various topics for LEP taxpayers at [www.irs.gov/espanol/index.html](http://www.irs.gov/espanol/index.html)
  - **Spanish forms and publications** are available 24 hours a day at <http://www.irs.gov/espanol/article/0,,id=132230,00.html> and <http://www.irs.gov/espanol/article/0,,id=132198,00.html>
- IRS employees can learn more about the MLI Strategy Office by visiting <http://mli.web.irs.gov/v3/home/index.asp>. ■

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## Become an Authorized IRS e-file Provider

and sign with their PIN before the application can be submitted to the IRS.

After the application is complete and has been submitted, you and any other Principals or Responsible Officials need to submit evidence of professional status or a fingerprint card to the Andover Processing Center. Evidence of professional status for CPAs, Attorneys, and Officers of Publicly Traded Company must indicate that you are currently a member in good standing. In the case of fingerprint cards only one set is required for each principal and responsible official. **Fingerprint Cards must be from the IRS and can be obtained by calling the Andover Campus (toll-free) at (866) 255-0654.** New fingerprint cards are not required for individuals who previously submitted them with another application that is currently active.

### Andover Processing Center Address

Internal Revenue Service  
Andover Campus  
Attn: EFU Acceptance  
Testing Stop 983  
P.O. Box 4099  
Woburn, MA 01888-4099.

### Step 3-Pass a Suitability Background Check

After you have submitted your application and the Andover Campus has received your fingerprint card or evidence of professional status, personnel at the Andover Campus will perform a suitability check on you and all other Principals and Responsible Officials of your firm to determine their suitability to be an Authorized IRS e-file Provider. This process could take up to 45 days.

### Suitability checks may include the following:

1. An FBI criminal background check;
2. A credit history check;
3. An IRS records check to (a) ensure that all individual and business returns are filed, and that all tax balances have either been paid or appropriately addressed, and (b) identify instances of fraud or preparer penalties; and
4. A history check for prior noncompliance in the Electronic Filing or IRS e-file programs.

All Principals and Responsible Officials of your firm must pass the suitability check before your application will be accepted into IRS e-file program. If any one fails, your application will be rejected and you or the official who failed suitability will be notified in writing at which point you or that person may appeal. If the appeal is denied, your application rejection will be upheld and you will be barred from reapplying to become an Authorized IRS e-file Provider for two years.

### Acceptance

After your application is processed and all involved parties pass the suitability test, you will be sent an acceptance letter with your Electronic Filing Identification Number (EFIN). Once accepted, you need not reapply each year as long as you continue to e-file returns. IRS on an annual basis in November, sends all EROs in good standing a letter acknowledging their acceptance in the IRS e-file program for the upcoming year. These annual acceptance letters are addressed to the firm's primary contact. Transmitters, Software Developers and Online Intermediate Service Providers will also be issued an ETIN. Software Developers and Online ISPs will be required to complete acceptance testing of their software and Transmitters will be required to complete a transmission test before they will be allowed to begin transmitting returns for the current year, which begins this year on January 13, 2006 for Individual Income Tax returns.

In addition to the acceptance letters, IRS provides various marketing material to assist you with your own advertising and promotion and to identify yourself as an "Authorized IRS

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## Subscribe to the *Digital Dispatch* and *IRS e-News for Tax Professionals*

### Digital Dispatch

The *Digital Dispatch* is the IRS's national list server. The *Digital Dispatch* provides national tax news and information about new developments on the IRS Website. We know practitioners are busy; the Dispatch makes it easier than ever for them to get tax forms and information from the IRS.

### Sign up for the Dispatch to get information about:

- Important upcoming tax dates
- What's new on the IRS Website
- Recently added tax forms and publications
- IRS news releases and special IRS announcements.

### IRS e-News for Tax Professionals

*IRS e-News for Tax Professionals* is an electronic service designed to provide local information for tax professionals, targeted specifically for their geographic area.

To subscribe to *Digital Dispatch*, *e-News for Tax Professionals*, and other e-News Subscriptions go to: [www.irs.gov](http://www.irs.gov); click on the Businesses, News, then e-News Subscriptions. ■





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## Become an Authorized IRS e-file Provider

e-file Provider." Current marketing material and ordering instructions can be found on the IRS Web at <http://www.irs.gov/taxpros/providers/article/0,,id=97538,00.html>.

### Updating Your Application

It is important that you update your application information whenever changes occur.

**Applications must be updated within 30 days of the date changes occurred.** You may do this by using e-services to revise your IRS e-file Application. Firm Responsible Officials or those delegated to make firm changes can make and submit most application changes but only Principals of the firm can add or replace existing Principals or apply for new EFINs if the organizational structure has changed, for example in moving from a sole proprietor to a partnership or corporation. Please keep in mind that adding new Principals or Responsible Officials that have not previously been submitted on an application will require those individuals to complete their Terms of Agreement and submit their fingerprint cards or evidence of professional status.

### Once you are an e-file Provider

Once you are an accepted as an e-file provider there are a number of things to keep in mind and one IRS web page that you may find helpful is entitled "e-file for Tax Professionals" at <http://www.irs.gov/file/article/0,,id=118663,00.html>. This page contains a multitude of topics that you can use to drill down further. Below are three specific pages that may be of immediate benefit.

**Publication 1345A** – On an annual basis, IRS publishes the IRS Web Publication 1345A, Filing Season Supplement for Authorized IRS e-file Providers,

<http://www.irs.gov/pub/irs-pdf/p1345a.pdf>.

This document provides the current year calendar of critical e-file dates for Individual Income Tax Returns and Electronic Tax Documents (ETDs). The publication also contains definitions for the various reject codes, a list of forms and schedules acceptable to be e-filed, and copies of the various forms with the data sequence numbers identified.

**Federal/State e-file** – Federal/State e-file is a cooperative tax filing program between the IRS and state tax administration agencies. This process makes it possible for taxpayers to file both federal and state income tax returns electronically at the same time. Each participating state has its own requirements, but all require that you be accepted in IRS e-file before they will accept you in their state programs. See <http://www.irs.gov/pub/irs-utl/charstate05rev.pdf> for the latest chart of state requirements.

**QuickAlerts** – By subscribing to QuickAlerts, participants will receive the latest and most up-to-date information on individual and business e-file. **In just a matter of minutes**, QuickAlerts disseminates mass messages for software developers, transmitters and Authorized IRS e-file Providers. The service is FREE and offers **three categories** of messages and up to **four choices of devices** on which to receive your messages. Finally, you can set up your very own schedule which includes a 24 hours/7 days a week selection. This messaging system will be of great value not only during the filing season but throughout the entire tax year. Learn more by going to <http://www.irs.gov/taxpros/providers/article/0,,id=97623,00.html> for details and additional information. ■

## REVISED CIRCULAR 230: NEW IRS GUIDANCE RAISES ETHICAL STANDARDS

As part of an ongoing effort to improve ethical standards for tax professionals and to curb abusive tax avoidance transactions, the Treasury Department and the IRS recently issued final regulations amending Treasury Department Circular 230.

Circular 230 is applicable to attorneys, accountants, enrolled agents and other tax professionals who practice before the IRS. The revisions to Circular 230 provide standards of practice for written advice that reflect current best practices and are intended to restore and maintain public confidence in tax professionals.

These revisions ensure that tax professionals do not provide inadequate advice, and increase transparency by requiring tax professionals to make disclosures if the advice is incomplete.

"These new standards send a strong message to tax professionals considering selling a questionable product to clients," said Commissioner Everson. "The new provisions give us more tools to battle abusive tax avoidance transactions and to rein in practitioners who disregard their ethical obligations."

Ensuring that attorneys, accountants, enrolled agents and other tax practitioners adhere to professional standards and follow the law is one of the IRS's top four enforcement goals. The revisions to Circular 230 represent a key component of the strategy to achieve this goal.

As part of this broader effort to strengthen professional standards, in 2003, Everson appointed Cono Namorato, a former Justice Department prosecutor, as the Director of the IRS Office of Professional Responsibility (OPR). OPR investigates allegations of misconduct by tax practitioners and enforces the standards of practice in Circular 230. Everson and Namorato have taken a number of steps to

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## VEHICLE DONATIONS

If you wish to claim a deduction of more than \$500 for donating a vehicle (including a boat or an airplane) to charity, you need to be aware of the following:

1. Your deduction may be limited to the actual sales price of the vehicle when the charity sells it.
2. You need to verify that the receiving organization is a qualified charity, which you can check at IRS.gov in Publication 78, Cumulative List of Organizations.
3. You need to get a timely written acknowledgement from the charity in order to claim the deduction. This means the charity must provide the acknowledgment to you no later than 30 days after the date the charity sells the vehicle in an arm's length sale to an unrelated

party, **OR** 30 days after the date of the contribution if the charity intends to make significant intervening use of the vehicle, materially improve the vehicle, or transfer the vehicle to a needy individual for significantly less than fair market value.

You must attach the acknowledgement to your tax return. If you don't, you cannot deduct your contribution if it exceeds \$500. Generally, you also must attach Form 8283, Non-cash Charitable Contributions, if the amount you deduct for all non-cash contributions is more than \$500.

For more information, see Publication 4303, *A Donor's Guide to Car Donations*, and Notice 2005-44 on IRS.gov (<http://www.irs.gov/pub/irs-drop/n-05-44.pdf>). ■

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### REVISED CIRCULAR 230: NEW IRS GUIDANCE RAISES ETHICAL STANDARDS

increase the effectiveness of OPR, including doubling the size of its staff.

"The playing field for tax advisors has changed with these standards for tax opinions, the new penalties that Congress recently enacted and other steps the IRS has taken to detect and deter abusive transactions," said Namorato. "Most professionals share our concern about the egregious behavior of some of their colleagues and we appreciate the efforts of responsible practitioners to promote ethical practice. We are taking steps to ensure that all practitioners live up to their professional obligations."

The final regulations provide best practices for all tax advisors, mandatory requirements for written advice that presents a greater potential for concern, and minimum standards for other advice. The mandatory requirements for written advice that presents a greater potential for concern prohibit practitioners from providing advice that, for example, relies on incorrect factual assumptions or representations, does not consider all relevant facts, or fails to analyze important legal issues. The minimum standards for other advice will give practitioners flexibility to exercise professional judgment to meet specific client needs.

The Treasury and IRS also separately issued proposed regulations regarding written advice concerning tax-exempt bonds that are similar to the standards for written advice in the final regulations. The proposed standards take into account the special characteristics of the market for tax-exempt bonds while ensuring that professionals who provide advice concerning tax-exempt bonds adhere to standards of practice that are comparable to the standards applicable to other tax professionals. Until the proposed regulations are finalized, practitioners who provide advice concerning tax-exempt bonds will be subject to certain minimum standards. ■

## Changes to Third Party Authorizations

### Oral consents

The Taxpayer Bill of Rights II (TBOR II) and revised 26 CFR 301.6103(c)-1(c) authorize the IRS to disclose tax information pursuant to a taxpayer's oral request or consent when, and **only** when, assistance is needed to **resolve a federal tax matter**.

In response to TBOR II and the revised regulation, the IRS introduced two disclosure authorization products to allow taxpayers' designees to discuss with the IRS specific notice issues or to discuss specified tax matters.

The first product, an Oral Disclosure Consent (ODC), authorized the IRS to orally disclose information to the designee and only on specific notice issues.

- The taxpayer phones (800) 829-1040. After identity verification, the name of the designee is provided and is recorded directly onto the tax account.
- The authorization expires when the specific notice issue is resolved.

The second product, the Oral Tax Information Authorization (OTIA), is the oral equivalent of a Form 8821, *Tax Information Authorization*. An OTIA allows the IRS to exchange oral and written information with the designee on tax matters specified in the authorization.

- The taxpayer phones (800) 829-1040 and advises the assistor he wishes to grant an OTIA. Following taxpayer identity verification, the call is transferred to a CAF Unit where an assistor directly records the authorization information onto the Centralized Authorization File (CAF).
- The taxpayer may authorize the IRS to automatically provide the designee with copies of notices.
- There are no limitations on the type of specified account information that may be disclosed. All OTIAs are recorded on the CAF, which provides nationwide notice of an authorization.

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## Changes to Third Party Authorizations

### Third party designee or checkbox authorization

The Third Party Designee or Checkbox authorization was designed to acknowledge our diverse taxpayer base (IRS Policy Statement P-6-41) and to respond to TBOR II. Originally, the taxpayer granted the IRS the authority to disclose oral information to a designee on issues limited to return processing, refunds and payments related to that return.

From its introduction through 2003, this product has expanded from allowing only return preparers as designees to any third party, including "friends and family" and legal, accounting and tax preparation firms. The authorization first appeared on forms in the 1040 series (except 1040X and Tele-File). By 2003, it was also included on forms in the 94X series and Forms 720, 1041, 1120, 2290 and CT-1.

Expiration of the original Checkbox authorization was keyed to certain steps in account processing. While designed to protect taxpayer privacy, the expiration criteria occasionally disrupted the problem resolution process.

### Effective Jan. 1, 2004:

- IRS can disclose information, both orally and in writing, in accordance with the scope of the authorization as established in the various instructions to the forms where this item is available.
- For Forms 1040, for example, designees can receive information about return processing and the status of any refunds or payments, receive copies of notices or transcripts and respond to certain IRS notices about math errors, offsets and return preparation.
- The authorization will expire one year from the due date of the tax return, without extensions.
- The authorization will be recorded directly onto the taxpayer's Master File account and not on the CAF.

### Terminating the authorization

As with all authorizations, the taxpayer may revoke an OTIA or Checkbox authorization at any time.

The designee may withdraw from the authorization at any time. Once all tax account issues specified in the authorization have been resolved, both parties should consider whether the authorization should remain in force. A statement of revocation by the taxpayer or a statement of withdrawal by the third party must be made in writing and must contain the following elements:

- Clear intent
- Identification of the taxpayer—name, Social Security Number or employer identification number
- Identification of the other party to the authorization the taxpayer wants to revoke
- Identification of the tax matters—tax form numbers and tax periods
- Dated signature of the party terminating the authorization.

This statement of revocation can be mailed or faxed to any CAF Unit. (See box at the right for addresses and phone numbers) A copy of the original authorization with the word "Revoke" or "Withdraw" written at the top of the form with a current dated signature is acceptable. Once received, the necessary actions will be taken to remove the authorization from IRS records and parties to the action will be notified. ■



## Where to Send Authorization Requests

**P**ower of Attorney or Tax Information Authorization requests should be directed to Memphis or Ogden.

If your principal business, office or agency or legal residence in the case of an individual, is located in: Alabama, Arkansas, Connecticut, Delaware, District Of Columbia, Florida, Georgia, Illinois, Indiana, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Mississippi, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Tennessee, Vermont, Virginia or West Virginia:

Write, call or fax:

**Memphis Accounts Management Center, CAF Unit**  
**5333 Getwell Road, Stop 8423**  
**Memphis, TN 38118**  
**Fax: (901) 546-4115**  
**Phone: (901) 546-4176**

If your principal business, office or agency or legal residence in the case of an individual, is located in: Alaska, Arizona, California, Colorado, Hawaii, Idaho, Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Texas, Utah, Washington, Wisconsin or Wyoming:

Write, call or fax:

**Ogden Accounts Management Center, CAF Unit**  
**1973 North Rulon White Blvd., Stop 6737**  
**Ogden, UT 84404**  
**Fax: (801) 620-4249**  
**Phone: (801) 620-4254**

International requests will continue to be processed at:

**Philadelphia Accounts Management Center, CAF Unit**  
**11601 Roosevelt Blvd. DPSW 312**  
**Philadelphia, PA 19255**  
**Fax: (215) 516-1017**  
**Phone: (215) 516-5996**

We are processing faxed requests in 48 hours and paper requests in five business days. ■

# THIRD PARTY AUTHORIZATIONS

There are various methods by which third parties may be granted authority to assist taxpayers in resolving tax issues. This chart identifies products available for addressing taxpayer needs and the means of submitting the authorization. All products allow for the exchange of information with the IRS for purposes of resolving a tax issue.

| Features   | Power of Attorney (POA)  | Tax Information Authorization (TIA)   | Limited Tax Information Authorization  |
|--|--|---|--|
| Purpose  | Allows a third party to represent a taxpayer before the IRS.   | Allows a third party to receive or inspect written and/or oral tax account information, subject to product limitations.   |  |
| How is authority granted                           | Form 2848, Power of Attorney and Declaration of Representative, Form 706, US Estate Tax Return, or written or electronic equivalent.   | Form 8821, Tax Information Authorization, or written or electronic equivalent.  | Oral Disclosure Consent granted by taxpayer calling 1-800-829-1040, providing the name of the designee for a specific notice issue.                                      |
| Who can exercise this authority                    | Attorneys, CPAs, enrolled agents/actuaries, immediate family, full-time employees, general partners, officer, un-enrolled return preparer (limited practice) and certain others. | Any individual or a business, e.g. legal, accounting, tax preparation firm. Authority extends to employees of a business appointee.                                   | Any individual.  |
| Entitled to written and oral information           | Yes  | Yes   | Yes, but only on returns filed and payments made by the agent.   |
| Can automatically receive notice copies            | Yes  | Yes   | No   |
| Submission and processing time                     | E-services Disclosure Authorization-immediate<br>Priority Fax-24 hrs<br>Regular Fax-48 hrs<br>Mail-5 days from receipt.  | E-services Disclosure Authorization-immediate<br>Priority Fax-24 hrs<br>Regular Fax-48 hrs<br>Mail-5 days from receipt.   | Mail or Fax 10-30 days.  |
| Where is record maintained and how is it retrieved | Recorded on CAF<br>Available on Master File and IDRS CFINK.  | Recorded on CAF<br>Available on Master File and IDRS CFINK.   | Recorded on Reporting Agents File (RAF)<br>Available on Master File IDRS RFINK.  |
| Must have CAF/RAF number                           | No. If CAF # not already established, one will be issued with first recorded submission.   | No. If CAF # not already established, one will be issued with first recorded submission.  | No. Recorded on taxpayer's employer identification number.   |
| Expiration of authority                            | Taxpayer revokes or representative withdraws, always in writing. New POA supersedes existing POA unless otherwise specified on Form 2848, Line 8. May co-exist with a TIA.       | Taxpayer revokes or appointee withdraws, always in writing. New TIA supersedes existing TIA unless otherwise specified on Form 8821, Line 6. May co-exist with a POA. | Taxpayer revokes or agent withdraws. New F-8655 may coexist with existing F-8655 but only for non-overlapping periods covered by authorization. May co-exist with a POA. |



## UNENROLLED RETURN PREPARER

Revenue Procedure 81-38 prescribes the standards of conduct, scope of authority and the circumstances under which an individual preparer of tax returns may engage in limited practice without enrollment before the IRS, pursuant to Section 10.7 of Treasury Department Circular No. 230.

"Practice" or representation includes advocating facts or law, acting on behalf of, and/or negotiating or signing on behalf of a taxpayer.

In order to qualify to engage in practice, the unenrolled return preparer is limited to contacts with IRS customer service representatives (CSRs) and examination officers with respect to a federal tax liability arising from a tax return he prepared. He is granted representational authority by the taxpayer via Form 2848, Power of Attorney and Declaration of Representative, designation level "H."

Acts specifically prohibited are:

- Executing claims for refund
- Receiving IRS checks for taxes, penalties or interest (refunds)
- Executing consents to extend any statutory period of assessment or collection of tax
- Executing waivers of restriction on assessment or collection of a deficiency in tax
- Executing closing agreements with respect to a tax liability or specific matter
- Executing and negotiating payment agreements
- Representation before IRS Appeals and Collection including the Automated Collection System (ACS) Unit.

### Tax Information Authorization

When an unenrolled return preparer does not meet the criteria for engaging in limited practice, he

may be designated by the taxpayer to receive account information and transcripts and copies of notices on a tax information authorization (TIA).

The authorization can be submitted using Form 8821, Tax Information Authorization. The taxpayer may also orally grant the authorization by calling (800) 829-1040. Once the caller's identity is verified, the call is transferred to a Centralized Authorization File (CAF) Unit where an assistor will record the authorization directly into IRS records. The taxpayer should be prepared to provide the same information required by Form 8821:

- Taxpayer name and Social Security or Employer Identification Number
- Name, address and CAF Number (if available) of Appointee
- Type of tax(es) and tax period(s)

This authorization is known as an Oral Tax Information Authorization (OTIA) and is only available for the purpose of resolving federal tax matters.

If the unenrolled return preparer is a registered and authorized user of the IRS e-services product, Disclosure Authorization (DA), Forms 2848 or 8821, may be transmitted to the IRS through the Internet on behalf of the taxpayer.

Form 2848 should be used to designate an unenrolled return preparer only when the designee is entitled to engage in limited practice (prepared the tax return at issue and is engaged in discussions with a CSR or Exam employee). Otherwise, Form 8821 should be used to authorize the unenrolled return preparer to inspect and receive information from the IRS. ■

## TAX MATERIALS AND ASSISTANCE IN SPANISH (AYUDA EN ESPAÑOL)

If you need federal tax information in Spanish, you can obtain it from several sources: the IRS.Gov Español Website, free Spanish tax publications, and Spanish language toll-free telephone services.

Our IRS.Gov Español website contains tax information for individuals and small businesses. It includes information on general tax topics, specific technical tax assistance with topics such as Earned Income Tax Credit (EITC), and a variety of free Spanish tax publications. The *EITC Assistant* can be accessed through the Website. It's easier than ever to find out if you qualify for EITC. Learn about the earned income tax credit and find out if you are eligible by answering some questions and providing basic information.

**Free Spanish Tax Publications** are available by calling toll-free (800) TAX-FORM, or (800) 829-3676, or on the [www.irs.gov/espanol](http://www.irs.gov/espanol) website under Forms (formas), and Publications (publicaciones). For Small Businesses you can access the IRS.Gov Español website and click on <http://www.irs.gov/espanol/article/0,,id=150613,00.html> to obtain the most recent forms

and publications and additional information for Small Businesses.

Some of the more popular forms and publications in Spanish are:

- **Publication 1(SP)**, Derechos del Contribuyente (Your Rights as a Taxpayer)
- **Publication 579(SP)**, Como Preparar su Declaración de Impuesto, explains who has to file a federal tax return and other important topics, such as which forms to file, who are dependents, what income is taxable and nontaxable, and what some of the more common credits are.
- **Publication 596(SP)**, Crédito por Ingreso del Trabajo, provides detailed information on the Earned Income Tax credit.
- **Publication 4346A ENG/SP**, Lo Básico en el Procesamiento de Declaraciones, provides basic information on processing your tax return.
- **Publication 4346B ENG/SP**, Porque debo pagar Impuestos, provides information on why should you pay taxes,
- **Publication 4346C ENG/SP**, Servicio Telefónico Gratuito del IRS, provides information

on the IRS toll-free telephone service and where to call for the Spanish help-line and TeleTax.

- **Publication 4346F, ENG/SP**, Entendiendo su Aviso del IRS, provides information on understanding your IRS notice.
- **Publication 4327(SP)**, Numero de Identificación Personal del Contribuyente, provides information on the Individual Taxpayer Identification Number (ITIN).

**TeleTax** is a toll-free automated telephone service, in English and Spanish, providing helpful tax topics and refund information. You can find a list of more than 150 TeleTax topics in the instructions for Form 1040, 1040A or 1040 EZ. TeleTax can also help you if it's been at least four weeks since you filed your return and you want to check on the status of your federal refund. Having a copy of the tax return handy will help you respond to the prompts on the automated system. TeleTax is available 24 hours a day, 7 days a week at (800) 829-4477. For further assistance you can also talk with a Spanish-speaking IRS representative by calling the toll-free customer service line at (800) 829-1040. ■

## REPORTING TAX FRAUD

As a professional return preparer, especially if you have walk-in traffic, you have both the expertise and the opportunity to see how would-be fraudsters are attempting to commit refund crimes. This very important information can be invaluable to the IRS units working on tax refund schemes. Therefore, the IRS has implemented a way to streamline the reporting of any fraud allegations you send us.

Some types of fraudulent activity should be referred directly to the IRS Fraud Detection Centers (FDCs), where all refund returns are screened, including:

- Persons filing questionable/suspicious tax returns
- Persons claiming refunds using false or altered W-2 forms
- Persons receiving multiple refund checks at one or more locations
- Persons filing more than one tax return for a single year either by filing at different IRS campuses or at the same campus using a fictitious Social Security Number (SSN) or another person's SSN
- Information about tax return preparers who are preparing returns with false information on their client's tax forms in order to get larger refunds
- Information about people selling dependent Social Security Numbers

If you detect these types of fraudulent activities, forward the information directly to the Internal Revenue Service Criminal Investigation Division by e-mail at [HQ-ORF@ci.irs.gov](mailto:HQ-ORF@ci.irs.gov) or by faxing information directly to the FDC that reviews refund returns from your state. (Note: Many of these fax numbers are new since last filing season.)

| States  | Fraud Detection Center | FAX Number     |
|---|------------------------|----------------|
| CT, MA, ME, NH, RI, VT, Upstate NY, MI                          | Andover                | (978) 691-6902 |
| GA, NC, SC, AL, FL  | Atlanta                | (770) 455-2901 |
| TX, NM, AZ, OK  | Austin                 | (512) 460-2724 |
| Brooklyn, Manhattan, NJ   | Brookhaven             | (631) 654-6912 |
| OH, KY, IN  | Cincinnati             | (859) 669-3711 |
| CA  | Fresno                 | (559) 441-5881 |
| IL, WI, ND, SD, NE, IA, KS, MO, MN                              | Kansas City            | (816) 823-8543 |
| AR, TN, MS, LA  | Memphis                | (901) 546-3148 |
| CO, MT, WY, UT, NV, ID, OR, WA, AK, HI                          | Ogden                  | (801) 620-6806 |
| PA, VA, MD, DE, WV, Puerto Rico and other International Returns | Philadelphia           | (215) 516-7028 |

If you have knowledge of or suspect other types of tax crimes, please contact the IRS Fraud Referral Hotline at **(800) 829-0433**.

The IRS currently has a number of civil and criminal enforcement initiatives underway to combat refund fraud and other tax crimes. With your specialized knowledge as a tax professional, you may be able to help us identify a tax fraud scheme early-so that it can be stopped quickly.

For more information about IRS enforcement activities, visit [www.irs.gov](http://www.irs.gov). ■

## Top 10 Potential Triggers for Alternative Minimum Tax

The alternative minimum tax (AMT) is an extra tax some people have to pay if their regular income tax is reduced due to certain deductions and credits. The AMT works like the regular income tax, but with different rules for figuring income and deductions, and with different tax rates. These rules set limits on the amount by which deductions and credits can reduce total tax.

If you already pay at least the minimum because of your regular income tax, you do not have to pay the AMT. However, if your regular tax is less than the minimum, then you have to make up the difference by paying the AMT in addition to your regular tax.

If you are unsure whether the AMT applies to you, pay attention to the following 10 items; they often trigger the need to calculate AMT:

1. Personal exemptions
2. Standard deduction
3. State and local income, sales and property taxes
4. Mortgage interest on refinanced or second mortgages and home equity loans not used to buy, build or improve a home
5. Medical expenses
6. Miscellaneous itemized deductions subject to the 2% floor
7. Exercise of incentive stock options
8. Long-term capital gains
9. Tax-exempt interest from private activity bonds
10. Business tax deductions

You may also have to pay the AMT if your taxable income for regular tax purposes, plus any adjustments and preference items, is more than the exemption amount.

11. \$58,000 for married filing jointly or qualifying widow/widower.
12. \$40,250 for single or head of household.
13. \$29,000 for married filing separately.

IRS will introduce an automated worksheet to help you figure your AMT this filing season. Look for the new AMT Assistant and other information about AMT on [IRS.gov](http://IRS.gov). ■

# Guidelines for Faxed Submissions

Based on requests from practitioners and other stakeholders, IRS has adopted the following guidance on the acceptance of faxes by taxpayers and the practitioner community.

## General

These general guidelines apply to all divisions and cover operations related to income tax, employment tax, excise tax, estate tax, gift tax, generation-skipping tax and tax exempt and employee plans determinations.

■ Filing of original tax returns via fax will only be allowed as part of a return perfection process (e.g., securing a missing schedule or missing signature) initiated by IRS or in post-filing or non-filing activities described in the next bullet. Tax returns can be received via fax as part of return perfection even if a taxpayer signature is required, provided that the IRS contact with the taxpayer has been made and documented.

■ Submission of documentation, forms, letters and returns related to post-filing or non-filing inquiries and interactions can be allowed via fax based on taxpayer or IRS request unless there is a specific prohibition. This allowance applies to inquiries and interactions conducted by Field Assistance, Accounts Management, Compliance Services, Field Examination, Field Collection, Determinations Units, Appeals and the Taxpayer Advocate Service, or related to post-submission inquiries and interactions conducted by Employee Plans or Exempt Organizations in connection with an application for a determination or a request for a ruling. Documentation, forms, letters and returns can be received via fax in these circumstances even if a taxpayer signature is required, provided that IRS contact with the taxpayer has been made and documented.

■ The IRS will not acknowledge faxes received from taxpayers in the course of tax administration activities by a return fax. Exceptions can be made in unusual circumstances as determined by IRS management.

## Specific guidance on use of faxes in tax administration processes (Lists not all-inclusive)

1. The following specific documents, forms or letters will continue to be accepted by fax in routine operations:

- EIN Requests (Form SS-4)
- Power-of-Attorney (Form 2848)
- Taxpayer Authorization (Form 8821)
- 1120S Election (Form 2553)
- Return/Transcript Requests (Form 4506)
- Request for Public Inspection or Copy of Exempt or Political Organization IRS Form (Form 4506-A)
- Foreign Certification Requests
- Appeals Conference Requests
- Responses or documentation needed to resolve filing or post-filing questions or correspondence.

2. The following specific documents, forms or letters can be accepted by fax if contact has been made with the taxpayer by phone or in person and the taxpayer history file is documented with the date of contact and notation is made that the taxpayer wishes to send the document, form or letter by fax:

- Requests for Innocent Spouse Relief (Form 8857)
- Taxpayer Statement About a Refund (Form 3911)
- Injured Spouse Claim (Form 8379)
- Installment Agreements (Form 433-D)
- Collection Information Statement – Wage Earner (Form 433-A)
- Collection Information Statement – Business (Form 433-B)
- Early Referral Requests
- Fast Track Mediation Requests
- Request for Collection Due Process Hearing (Form 12153)
- Letter to designate a payment
- Letter to request non-filing of lien
- Letter to request lien release
- Letter to request lien withdrawal
- Letter to request non-assertion of penalty
- Letter to provide reasonable cause statement
- Supporting Statement to Correct Information (Form 941C)
- Election by a Small Business Corporation (Form 2553).

3. Consents to assess additional tax (Forms 4549, 870 and others) of \$25,000 or less can be accepted by fax if taxpayer contact has been made and the case history documents the date of contact and the desire of the taxpayer to submit the consent by fax. Consents to assess tax in excess of \$25,000 should be secured with original signatures that are delivered in person or by mail.

4. Taxpayer closing agreements involving tax amounts of \$25,000 or less can be accepted by fax if taxpayer contact has been made and the case history documents the date of contact and the desire of the taxpayer to submit the consent by fax. Closing agreements for tax amounts in excess of \$25,000 should be secured with original signatures that are delivered in person or by mail.

5. Employee Plan and Exempt Organization determination letter applications **will not** be accepted via fax.

6. Determination Letter Requests related to income tax, gift tax, estate tax, generation-skipping transfer tax, employment tax and excise tax matters **will not** be accepted via fax.

7. Consents to extend the statute of limitations for assessing tax (Form 872, SS-10 and other consent forms) **will not** be accepted via fax in normal operations. ■

## Some Returns Must Be Sent to New Addresses This Year

Some of your clients' tax returns may have to be sent to a different service center than last year. Taxpayers who received a tax instruction booklet from the IRS in the mail and use the labels included with the booklet can be assured that their tax returns will go to the correct address; taxpayers who e-file are not affected by these changes.

For tax year 2005, the mailing changes affect returns, **with or without payments**, from the District of Columbia and 11 states – Colorado, Delaware, Kansas, Maryland, Mississippi, Nebraska, New Mexico, Ohio, South Dakota, Virginia and West Virginia. Tables on where to file 2005 Taxes For 1040, 1040A and 1040EZ are contained in News Release IR-2006-16, which can be found at [www.irs.gov/newsroom](http://www.irs.gov/newsroom). ■



## ■ USE THESE SIMPLE SOLUTIONS FOR AN ERROR-FREE TAX RETURN

This checklist is primarily aimed at individual taxpayers preparing their own returns manually. Even so, it contains valuable tips and advice for any preparer. If you take a few minutes to double-check the return, you can help clients ensure that it will sail through the IRS processing center error-free:

- ✓ Use the peel-off label. You may line through and make necessary corrections right on the label. Be sure to fill in Social Security Numbers in the box provided on the return. *It is not on the label.*
- ✓ If you do not have a peel-off label, fill in all requested information clearly, including the Social Security Numbers.
- ✓ Check only one filing status on the tax return and check the appropriate exemption boxes. Enter the correct Social Security Number for each of those exemptions. Write legibly. Remember that incorrect, missing or illegible SSNs will cause a processing delay of your refund if you are due one.
- ✓ Use the worksheet in the instructions for Forms 1040 or 1040A or in IRS Publication 972, *Child Tax Credit*. Miscalculated child tax credits cause the majority of common errors.
- ✓ Use the correct Tax Table column for the filing status. Use a ruler; double check.
- ✓ Check and double check all figures on the return. Math errors are common.
- ✓ Check the accuracy of financial institution routing and account numbers entered on the return for a direct deposit of a refund. Incorrect numbers can cause delay or misdirection of the refund.
- ✓ Sign and date the return. If filing a joint return, both spouses must sign and date the return.
- ✓ Attach all Forms W-2, 1099R and others that reflect taxes withheld to the front of the return. If you are filing a Form 9465, *Installment Agreement Request*, attach that to the front also. Attach all other necessary forms and schedules in the order as listed in the attachment sequence order in the upper right corner of each form or schedule.
- ✓ If you owe tax, enclose a check or money order made payable to the **United States Treasury**, along with the Form 1040-V, *Payment Voucher*, with the return. You may choose to pay by credit card by contacting one of the credit card service providers. If you file electronically, you may authorize the U.S. Treasury to withdraw the payment directly from your bank account.
- ✓ For a complete checklist and listing of some of the most common errors, see Tax Topic 303 at IRS.gov or call the toll-free TeleTax number, (800) 829-4477. ■

## ■ Electronic Federal Tax Payment System (EFTPS)

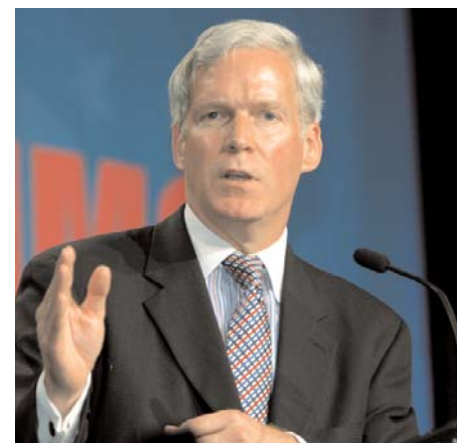
**E**FTPS is a secure service provided free by the U.S. Department of Treasury. Using EFTPS, taxpayers can make payments by the Internet or telephone to pay their federal taxes. It's ideal for taxpayers who have to make 1040ES tax payments. EFTPS sets up electronic transfer of funds from the taxpayer's account to Treasury's account on the date requested by the taxpayer. More than 6 million people are already benefiting from their EFTPS enrollment.

Taxpayers who make more than \$200,000 in Federal Tax Deposits **must** make all their federal tax deposits electronically. But even taxpayers who do not meet the requirements **may voluntarily** use EFTPS. Your clients can schedule one or all of their estimated payments for the year, 365 days in advance for individuals and 120 days in advance for business tax payments.

Payments can be cancelled up to 2 business days before the scheduled payment due date. For every payment taxpayers can receive an immediate acknowledgement number that serves as a receipt for the taxpayer's payment. EFTPS also maintains a tax payment history for 16 months; once a taxpayer is enrolled, payment history can be reviewed online at [www.eftps.gov](http://www.eftps.gov). EFTPS is available 24 hours a day, 7 days a week.

Employers requesting a new Employer Identification Number (EIN) that have a federal tax obligation are automatically enrolled in

*Continued on page 19*



## Federal Tax Deposit Requirements for Employment Taxes

Do employment tax requirements confuse you? You're not alone. The rules are not one-size-fits-all and can be difficult to navigate. This summary will help clear up some of the mystery.

Employers must file Form 941, *Employer's Quarterly Federal Tax Return*, and to make regular federal tax deposits (FTDs) of employment taxes, which include employees' withheld federal income tax, Social Security tax, Medicare tax and the employer's share of Social Security and Medicare taxes.

The deposit schedule may be either monthly or semi-weekly, depending on the amount owed during a four-quarter look-back period. The look-back period for calendar year 2006 covers the four calendar quarters from July 1, 2004 through June 30, 2005.

The deposit schedule may be either monthly or semi-weekly, depending on the amount owed during a four-quarter look-back period. The look-back period for calendar year 2005 covers the four calendar quarters from July 1, 2003 through June 30, 2004.

**Note:** Notification of FTD Deposit Requirements are issued yearly to filers of Form 941 and 941SS to advise employers of which deposit method to use for the upcoming calendar year. It is your responsibility to verify the look-back period information with your records to ensure that the notice you receive is correct.

| If total taxes reported in the look-back period were: | then employer is a:             |
|---|---------------------------------|
| \$50,000 or less                                      | Monthly Schedule Depositor      |
| More than \$50,000                                    | Semi-weekly Schedule Depositor. |

New employers who have never filed Form 941 before follow the monthly schedule depositor's rules for the first calendar year of their business. If, however, a new employer accumulates a tax liability (reduced by any advance Earned Income Credit (EIC) payments) of \$100,000 or more on any day during a deposit period, they must deposit the tax by the next banking day. FTD payments are based on when wages are paid, not earned, and must be deposited as follows:

### Monthly Schedule Depositors:

■ Deposit each month's taxes by the 15th day of the following month (e.g., taxes from paydays during August are deposited by Sept. 15).

### Semi-weekly Schedule Depositors:

■ For wages paid Saturday, Sunday, Monday or Tuesday, deposit by Friday of that week.

■ For wages paid Wednesday, Thursday or Friday, deposit by the following Wednesday.

If the due date for a deposit falls on a federal or state bank holiday or on a Saturday or Sunday, the deposit is considered timely if it is made by the close of the next banking day.

**Reminder:** If you are a Semi-weekly Depositor, you must attach Form 941, Schedule B, to your Form 941. **Note:** No monthly or semi-weekly FTD payments are required if the total tax liability for the quarter is less than \$2,500. Employers may mail in payments with their quarterly Form 941.

### If employers have a deposit requirement, they may choose one of two deposit methods:

■ FTDs can be made the preferred way through the Electronic Federal Tax Payment System (EFTPS). You can make tax deposit payments through the Internet at [www.eftps.gov](http://www.eftps.gov) or call FTPS Customer Service at (800) 555-4477.

■ Mail or deliver Form 8109, *Federal Tax Deposit Coupon*, with their payment to an authorized financial institution or Federal Reserve Bank or branch. Make the check or money order payable to the financial institution. ■

Continued from page 18

## Electronic Federal Tax Payment System (EFTPS)

EFTPS to make their Federal Tax Deposits. When taxpayers receive their EIN, they will also receive a separate mailing containing an EFTPS Personal Identification Number (PIN) and instructions for activating their enrollment.

IRS also offers an EFTPS-FTD Penalty Refund Program to help employers avoid future penalties. Taxpayers who receive a Form 941 deposit penalty can get a refund of the penalty amount paid if they enroll in and use EFTPS for four consecutive quarters.

To qualify for the program the taxpayer must use EFTPS for one year (four consecutive

quarters) and make all Form 941 payments on time through EFTPS. IRS will automatically determine which employers have achieved the four quarters of EFTPS use and refund the taxpayer's most recent full paid FTD penalty if no other taxes are owed. Refunds will be issued on a quarterly basis following the scheduled Form 941 due dates. Since the program's start in 2004, more than 87,000 businesses received more than \$56 million in penalty refunds.

In 2006, EFTPS will launch a new version of the popular Batch Provider Software. This free program allows tax professionals to enroll

clients through the software and an Internet connection, as well as make multiple payments from different accounts in one transaction. The benefits of the new software include easy set up and installation, real-time synchronization with the EFTPS enrollment and payment database, email notifications, import and export functions and customized reporting capabilities.

To enroll in EFTPS, visit [www.eftps.gov](http://www.eftps.gov). Call EFTPS Customer Service for more information or an enrollment form at (800) 555-4477. ■

# Taxpayer Advocate Service

## Can't resolve a tax problem through normal channels? We can help!

The Taxpayer Advocate Service is an independent organization within the IRS, led by the National Taxpayer Advocate. TAS helps individual and business taxpayers resolve problems with the IRS by

- Ensuring that taxpayer problems not resolved through normal IRS channels are promptly and impartially handled;
- Assisting taxpayers who are facing hardships;
- Identifying issues that compromise taxpayer rights, increase taxpayer burden or create problems and bringing these issues to the attention of IRS management; and
- Recommending administrative and legislative changes through the National Taxpayer Advocate's Annual Report to Congress. Each state has at least one Local Taxpayer Advocate, who is independent of the local IRS office and reports directly to the National Taxpayer Advocate.

## Who May Use the Taxpayer Advocate Service?

If you have tried to resolve a tax problem with the IRS and are still experiencing delays or are facing economic harm, you may request the assistance of the Taxpayer Advocate Service. Our service is free and tailored to meet your needs.

In situations where IRS actions prevent you from providing for necessities such as housing, transportation or food; or if you own a business and are unable to meet basic expenses such as payroll, you may request the assistance of the Taxpayer Advocate Service.

If you face a delay of more than 30 days to resolve a tax related problem, or are not receiving a response by the date promised, you may also request assistance from the Taxpayer Advocate Service. You can call or write to your Local Taxpayer Advocate, whose phone number and address are listed in your local telephone directory and are available on our website at [www.irs.gov/advocate](http://www.irs.gov/advocate).

## How Do I Reach a Taxpayer Advocate?

Call our toll-free phone number, (877) 777-4778 or see your local phone directory for the office nearest you.

- For TTY/TTD help call (800) 829-4059.
- File Form 911, Application for Taxpayer Assistance Order, with the Taxpayer Advocate Service; or

- Request that an IRS employee complete a Form 911 on your behalf (in person or over the phone).

Form 911 is available by phone at 1-800-829-3676, or on the IRS Internet web page at [www.irs.gov](http://www.irs.gov). Fax or mail this form to your local Taxpayer Advocate Service office.

## What Can I Expect From the Taxpayer Advocate Service?

Your case advocate will listen to your point of view, work with you to address your concerns, and see your case through to an appropriate conclusion. You can expect your case advocate to give you:

- His or her name, phone number, and badge number;
- Courteous and confidential service;
- Timely acknowledgment;
- An impartial and independent review of your problem;
- Time frames for action;
- Updates on progress; and
- Advice on how to prevent future Federal tax problems.

## What Information Should I Provide to the Taxpayer Advocate Service?

- Your name, address, and social security number, or employer identification number issued by the IRS;
- Your phone number and best times to call;
- The type of tax return and tax year(s) involved; and
- A description of your problem or hardship, how you previously tried to resolve the problem, and the office(s) you contacted.

To authorize another person to discuss or receive information about your case, send Form 2848, Power of Attorney and Declaration of Representative, or Form 8821, Tax Information Authorization. You can get these forms at most local IRS offices, at the IRS website, [www.irs.gov](http://www.irs.gov), or by calling (800) 829-3676.

## Is the Information I Provide to TAS Confidential?

TAS is independent within the IRS. We have the discretion to not disclose to the IRS any information you give us, or even inform the IRS that you've contacted us. In general, however, to provide you with

assistance or relief, TAS will likely have to disclose the information to an IRS employee or employees.

## How Else Does the Taxpayer Advocate Service Help Taxpayers?

**Systemic Advocacy:** The Office of Systemic Advocacy is part of the larger TAS organization. Systemic advocacy means addressing broad issues that impact **groups of taxpayers**, including both individuals and businesses. These issues:

- Affect **multiple** taxpayers;
- Are not individual problems or cases;
- Impact local, regional, or national segments of the taxpayer population;
- Relate to IRS systems, policies, and procedures;
- Require analysis, administrative solutions, or legislative changes; and
- Involve protecting taxpayer rights, reducing or preventing taxpayer burden, ensuring equitable treatment of taxpayers, or providing essential services to taxpayers.

Taxpayers, tax professionals, and other interested parties can direct systemic issues to TAS via the Internet. Go to [www.irs.gov/advocate](http://www.irs.gov/advocate), click on the link "What Is Systemic Advocacy?", and follow the instructions for submitting an issue on the Systemic Advocacy Management System (SAMS). If you don't have Internet access, call (800) TAX-FORM to obtain the Systemic Advocacy Issue Submission Form (Form 14411), and fax it to (202) 622-3125. Remember: **systemic issues always affect more than one taxpayer!**

For more information about the Taxpayer Advocate Service, please visit our website at [www.irs.gov/advocate](http://www.irs.gov/advocate). ■





## IRS TOLL FREE NUMBERS

|  |   |   |
|--|---|---|
| Practitioner Priority Service  | (866) 860-4259  | Practitioners' first point of contact for account-related issues.   |
| IRS Tax Help Line for Individuals                                    | (800) 829-1040  | For filers who need procedural or tax law information or help to file.  |
| Business and Specialty Tax Line                                      | (800) 829-4933  | For Small Businesses, Corporations, Partnerships and Trusts who need information or help related to their Business Returns or Business (BMF) Accounts. Services cover Employer Identification Numbers (EINs), 94x returns, 1041, 1065, 1120S, Excise Returns, Estate and Gift Returns, as well as issues related to federal tax deposits.                                   |
| Refund Hotline   | (800) 829-1954  | For 1040-type Individual and Joint Filers who need to check the status of their current year refund. Automated Refund Self-Service Interactive applications are offered on this line. <b>Note:</b> <i>The Where's My Refund?</i> automated self-service feature is also available 24/7 at <a href="http://www.irs.gov">www.irs.gov</a> to obtain refund status information. |
| Forms and Publications   | (800) 829-3676  | For individuals, businesses and tax practitioners who need IRS tax forms, instructions and related materials and tax publications.  |
| National Taxpayer Advocate's   | (877) 777-4778  | For taxpayers whose tax problems have not been resolved through normal channels. The Taxpayer Advocate Service Help Line (TAS) provides an independent system to assure that tax problems are promptly and fairly handled. TAS operates independently of any other IRS office and reports directly to Congress through the National Taxpayer Advocate.                      |
| Telephone Device for the Deaf  | (800) 829-4059  | For hearing-impaired taxpayers who need tax law or procedural information relating to filing their returns (TDD) or who need information or assistance relating to their accounts.  |
| Taxpayer Advocacy Panel  | (888) 912-1227  | For citizens who want to provide ideas and suggestions on how to improve IRS services or who want to make recommendations for improvement of IRS systems and procedures.  |
| Electronic Federal Tax Payment System (EFTPS)                        | (800) 555-4477<br>(800) 733-4829 (TDD)<br>(800) 244-4829 (SP) | For taxpayers who want to pay business or individual taxes through electronic funds transfer. The EFTPS Toll-Free numbers can provide callers with EFTPS enrollment forms, instructions and customer assistance.  |
| Government Entities (TEGE) Help Line                                 | (877) 829-5500  | For taxpayers who need tax information or assistance relating to Tax Exempt or Government Entities, Tax Exempt Bonds, Employer/Employee Pension Plans or Indian Tribal Agreements.  |
| Extension to File  | (888) 796-1074  | For individual filers who want to submit an extension to File for a 1040-series return via telephone.   |
| TeleTax Topics   | (800) 829-4477  | Prerecorded messages on various tax topics.   |
| Form 706<br>Form 709   | (866) 699-4083  | For answers to questions concerning Form 706, <i>United States Estate Tax Returns</i> , and <i>Form 709, United States Gift (and Generation-Skipping Transfer) Tax Returns</i> .  |
| AARP Tax-Aid Information Line  | (888) 227-7669  | American Association of Retired Persons locations for income tax preparation by IRS trained volunteers.   |
| Automated Collection System (ACS)<br>Businesses                      | (800) 829-3903  | Business accounts assigned to ACS.  |
| Automated Collection System (ACS)<br>Individuals                     | (800) 829-7650  | Individual accounts assigned to ACS.  |
| Criminal Investigation<br>Informant Hotline                          | (800) 829-0433  | Report tax fraud.   |
| Employer Identification Number (EIN)                                 | (800) 829-4933  | EIN application and changes.  |
| Form 2290  | (866) 699-4096  | Heavy Vehicle Use Tax issues related to Form 2290.  |
| Information Return Reporting   | (866) 455-7438  | Tax law help for payers of W-2s and 1099s.  |
| Terrorist Act or Combat Zone<br>Special Hotline                      | (866) 562-5227  | Information for those affected by a Terrorist Act or a Combat Zone participant or related accounts issues.  |
| Treasury Inspector General for Tax<br>Administration (TIGTA) Hotline | (800) 366-4484  | Report allegations of misconduct or improprieties by IRS employees.   |

## Large & Midsize Business (LMSB) Operating Division At-a-Glance

### LMSB serves taxpayers with the following profiles:

- Corporations, subchapter S corporations, and partnerships with more than \$10 million in assets
- The largest business taxpayers interact with the IRS on an ongoing basis
- Most have in-house tax divisions. Major issues are tax law interpretation, accounting and regulatory issues

### LMSB is divided into the following industry operations:

- Retailers, Food, Pharmaceutical and Healthcare

- Natural Resources and Construction
- Financial Services
- Heavy Manufacturing and Transportation
- Communications, Technology and Media
- Field Specialists

### For additional information on LMSB, click on:

<http://lmsb.irs.gov/hq/c/downloads/Organization/Directories/LMSB%20Industry%20Mgrs%20by%20ORG%202-11-04.doc> ■

## Tax Exempt and Government Entities (TE/GE) Division At-a-Glance

### TE/GE meets the special needs of:

- Pension Plans
- Exempt Organizations
- Government Entities.

### TE/GE's three major business units:

- Exempt Organizations (EO)
- Employee Plans (EP)
- Government Entities (GE).

### Examples of areas where TE/GE provides customer assistance are:

- EO: charities, private foundations, other nonprofit organizations
- EP: retirement plans such as 401(k), 403(b), 457, SEP, SIMPLE and defined benefit pension plans
- GE: federal, state and local governments (FSLG), Indian tribal governments (ITG) and tax-exempt bonds (TEB) for the municipal finance community.



For direct technical assistance on any of these subjects, call TE/GE's Customer Account Services toll-free line at **(877) 829-5500**, Monday-Friday, 8:00 a.m. to 6:30 p.m. ET. You can also go to the following Websites for information on technical guidance, compliance programs, specialized education programs and services, seminars, workshops, forms and publications and more:

- EP: [www.irs.gov/lep](http://www.irs.gov/lep)
- EO: [www.irs.gov/leo](http://www.irs.gov/leo)
- FSLG: [www.irs.gov/govts](http://www.irs.gov/govts)
- ITG: [www.irs.gov/tribes](http://www.irs.gov/tribes)
- TEB: [www.irs.gov/bonds](http://www.irs.gov/bonds) ■

## Wage and Investment Division (W&I) At-a-Glance

### W&I serve taxpayers with the following profiles:

- Approximately 131 million tax returns
- Most pay taxes through withholdings
- More than 70% of returns prepared by others
- Most interact with the IRS once a year
- Most receive refunds

### W&I organizational offices:

- Customer Assistance, Relationships and Education (CARE)

- Customer Account Services (CAS) Compliance
- Focusing on better service to customers through:
  - Media and Publications
  - Stakeholder Partnership Education and Communication (SPEC)
  - Field Assistance and Taxpayer Assistance Centers

For additional information on W&I, click on: *W&I at a Glance* ■

## Small Business/Self-Employed (SB/SE) Division At-a-Glance

### SB/SE serves taxpayers with the following profiles:

- Approximately 45 million taxpayers
- About 33 million full or partially self-employed
- About 7 million small businesses with assets of less than \$10 million
- Have some of the most complex issues due to tax law requirements and the number of forms and schedules required
- Have 4 – 60 routine transactions with the IRS per year

### SB/SE serves this taxpayer segment through three organizations:

- Stakeholder Liaison

- Customer Account Services (CAS)
- Compliance

### SB/SE/Self-Employed Division serves following types of taxpayers:

- Individuals filing Schedules C, E, F or Form 2106.
- All other businesses with assets under \$10 million.

### For additional information for taxpayers served by SB/SE:

<http://www.irs.gov/taxpros/index.html>  
<http://www.irs.gov/businesses/small/index.html> ■

## National Public Liaison (NPL) Division At-a-Glance

### National Public Liaison Division, (NPL)

under the Chief, Communications and Liaison, works to enhance the IRS's relationships with national stakeholders and federal partners to create opportunities to meet stakeholder needs and to resolve issues of mutual concern.

### NPL manages:

- The IRS Advisory Council (IRSAC)
- The Information Reporting Program Advisory Committee (IRPAC)

- The IRS Nationwide Tax Forums
- Tax Hints
- Stakeholder Relationships
- Issue Tracking

To contact National Public Liaison, call (202) 622-3359, email [public-liaison@irs.gov](mailto:public-liaison@irs.gov) or click on the Tax Professionals Page for further information: <http://www.irs.gov/taxpros/index.html> ■



# IRS.gov HotLinks

## SB/SE E-SUBMISSIONS/E-INTERACTIONS & MORE AN ALPHABETICAL LISTING OF HYPERLINKS FOR WWW.IRS.GOV

**Tip: Save this file to your Desktop for quick reference**

|  |   |  |
|--|---|--|
| <a href="#">940/941 e-file</a>   | <a href="#">Consumer Alerts &amp; Tax Scams</a>   | <a href="#">e-file Partners for Financial Institutions/Employers</a>               |
| <a href="#">990/990-EZ/990-PF/1120-POL e-file</a>  | <a href="#">Contact My Local Office - state-by-State IRS Office Locations, Hours etc.</a> | <a href="#">e-file Partners for Taxpayers</a>                                      |
| <a href="#">1040 Central</a>   | <a href="#">Corporations, Tax Information for</a>   | <a href="#">e-file for Tax Professionals - Landing page</a>                        |
| <a href="#">1041 e-file</a>  | <a href="#">CP-2000 Prevent Delays in the Processing</a>                                  | <a href="#">e-file Providers, Individual Locator</a>                               |
| <a href="#">1065 e-file</a>  | <a href="#">Credit Card Payments - Individuals</a>  | <a href="#">e-file New Requirements for large Corps &amp; Exempt Organizations</a> |
| <a href="#">1120/1120S/7004 e-file</a>   | <a href="#">Criminal Enforcement</a>  | <a href="#">e-file Resources - Help Desk &amp; State e-file Coordinators</a>       |
| <a href="#">1120 POL e-file</a>  | <a href="#">Criminal Investigation Division - CID</a>                                     | <a href="#">e-file Resources for EROs, etc</a>                                     |
| <a href="#">2004/2005 Tax Law Changes for Individuals</a>  | <a href="#">Digital Dispatch Mailing List</a>   | <a href="#">e-file Revenue Procedure 2005-60 new</a>                               |
| <a href="#">2005 Nationwide Tax Forums - NWTFS</a>   | <a href="#">Direct Transmitters - What's New in EMS for 2006</a>                          | <a href="#">e-file for Software Developers &amp; Transmitters</a>                  |
| <a href="#">Abusive Offshore Tax Avoidance Schemes</a>   | <a href="#">Discontinuance of Non-Encrypted e-file Transmission Options</a>               | <a href="#">e-file Technical Publications</a>                                      |
| <a href="#">Abusive Tax Shelters</a>   | <a href="#">Disaster Assistance Self-Study</a>  | <a href="#">EFTPS - Express Enrollment for Businesses Pub 4276</a>                 |
| <a href="#">Advertising/Promotion Publications - ERO's - Marketing Toolkit, Refund Cycle Chart</a> | <a href="#">Disaster Relief - Pub. 3833</a>   | <a href="#">EFTPS on irs.gov</a>   |
| <a href="#">Amended Returns</a>  | <a href="#">Draft Tax Forms</a>   | <a href="#">EFTPS.GOV</a>  |
| <a href="#">Appeals Process - link to streaming video</a>  | <a href="#">EA Exam</a>   | <a href="#">EFTPS Marketing Materials Practitioner Order Form - FMS</a>            |
| <a href="#">Appeals, Tax Information for</a>   | <a href="#">EA Information</a>  | <a href="#">e-Help Desk - Toll-Free Number</a>                                     |
| <a href="#">Application to Participate in the e-file Program (paper version)</a>                   | <a href="#">e-file Application &amp; Participation - Pub 3112</a>                         | <a href="#">EIN - Apply Online</a>   |
| <a href="#">Approved IRS e-file for Business Providers</a>   | <a href="#">e-file Checklist for Individuals</a>  | <a href="#">EIN, Online Application FAQs</a>                                       |
| <a href="#">Armed Forces - Tax Information</a>   | <a href="#">e-file Demographics for Electronic Return Originators</a>                     | <a href="#">EITC Assistant</a>   |
| <a href="#">Around the Nation</a>  | <a href="#">e-file Demographics</a>   | <a href="#">EITC Information/Resources</a>   |
| <a href="#">Authorized IRS e-file Provider Locator Service for Tax Professionals</a>               | <a href="#">e-file FAQs for Tax Professionals - Publication 3452 TY 2004</a>              | <a href="#">EITC - Do You Qualify?</a>   |
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| <a href="#">Calendar, Tax for 2005 Pub. 509</a>  | <a href="#">e-file for Business Providers</a>   | <a href="#">Electronic Payment Options Brochure Pub 3611</a>                       |
| <a href="#">Centralized Authorization File (CAF)</a>   | <a href="#">e-file for Large &amp; Mid-Size Corporations</a>                              | <a href="#">Electronic Reading Room</a>  |
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| <a href="#">CID - Criminal Enforcement</a>   | <a href="#">e-file Made Easy - A Tax Professional's One Stop e-file/e-pay Shop</a>        | <a href="#">Employment Tax e-file System</a>                                       |
| <a href="#">Circular 230 (Rev. 6/2005)</a>   | <a href="#">e-file Market Research Data</a>   | <a href="#">Employment Taxes - e-file and e-pay Options</a>                        |
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[Errors - Top Errors by Paid Preparers on Paper Returns](#)

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[e-services Registration page \(link to online tutorials found in red bar\)](#)

[ETAAC Annual Report to Congress 2005](#)

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[Fed/State Employment Tax e-file Schemas \(FSET\)](#)

[FedStats.gov](#)

[Filing Information Returns Electronically \(FIRE\)](#)

[Filing Season Supplement, Pub 1345A for TY 2004](#)

[Financial Management Service \(FMS\) U.S. Dept of the Treasury](#)

[FIRE](#)

[FIRE.net <http://fire.irs.gov>](#)

[Forms & Pubs](#)

[Forms 940 & 941 e-file Programs](#)

[Form 990/990EZ/990PF & 1120POL e-file](#)

[Form 1041 e-file Program](#)

[Form 1065 e-file Program](#)

[Form 1120/1120S e-file](#)

[Form 1120POL e-file](#)

[Form 8453, U.S. Individual Income Tax Declaration for an IRS e-file Return](#)

[Form 8633 - Application to become an Authorized IRS e-file Provider](#)

[Form 8633 FAQs](#)

[Form 8878, IRS e-file Signature Authorization for Application for Extension of Time to File](#)

[Form 8878 - Spanish version 2005](#)

[Form 8879, IRS e-file Signature Authorization](#)

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| <a href="#">Prior Year Forms &amp; Pubs</a>   | <a href="#">Self-Select PIN</a>   | <a href="#">Tax Professionals - Resources for</a>                         |
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| <a href="#">Publication 334 - 2004 Tax Guide for Small Businesses</a>                   | <a href="#">Small Business Resource Guide Update 2005 CD-ROM</a>                                  | <a href="#">Tax Statistics</a>  |
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| <a href="#">Retirees/Sr. Citizens</a>   | <a href="#">Talking Tax Forms</a>   | <a href="#">What's Hot - News</a>   |
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**Phone/VMS: (602) 207-8333**

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## Communications and Liaison, National Public Liaison

*Tax Hints—Practitioner's Guide to the Filing Season* is only available for download from our Website. We cannot provide printed copies.

### TAX HINTS STAFF

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<http://www.irs.gov/taxpros/index.html>

## The IRS Mission

Provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all.



Department of the Treasury  
Internal Revenue Service

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